

Service Date: July 27, 1978

PROPOSED ORDER NO. 4432

DEPARTMENT OF PUBLIC SERVICE REGULATION  
MONTANA PUBLIC SERVICE COMMISSION

In the Matter of the Petition)  
of the City of Kalispell for ) DOCKET NO. 6552  
Increased Rates and Charges ) ORDER NO. 4432  
for Water Service. )

Appearances:

ROBERT F. DONAHUE, City Attorney, Kalispell, Montana

Intervenors:

JOHN C. DOUBEK, Attorney at Law, 34 W. 6th Ave., Helena,  
Montana, appearing on behalf of the Montana Consumer Counsel

For the Commission Staff:

ROBERT F. W. SMITH, Attorney at Law  
DAN ELLIOTT, C.P.A.  
JUDY CURTIS, Economist

Before:

GEORGE TURMAN, Commissioner and Hearing Examiner

FINDINGS OF FACT

1. The City of Kalispell Water Department (City, Applicant) is a public utility furnishing water service to consumers in the Kalispell area.
2. Applicant's petition, filed December 16, 1977, requests this Commission's approval of rates for water service which are designed to produce an increase in annual gross operating revenues of \$126,882, based on fiscal year 1976-1977 data.
3. In addition, Applicant proposes to establish a service area boundary, and to make additional tariff changes.

4. On March 16, 1978, the Commission issued notice of a proposed hearing for permanent rate relief.

5. On April 18, 1978, at 10:00 a.m., a hearing to receive evidence and allow cross-examination was conducted at the City Hall Council Chambers, Kalispell, Montana.

6. On May 5, 1978, Applicant filed an amended proposal detailing service area boundaries. The boundaries, as amended, included several areas previously excluded. Applicant also stated on pg. 3 of this memorandum that, "...the Applicant has no intent to curtail any existing services outside the proposed service area;".

7. Applicant's proposed disposition of the \$126,882 increase in annual gross operating revenues includes yearly additions of \$100,000 to an expansion and replacement reserve, and the balance being employed as a cushion for inflationary operating expenses.

8. In light of the needed expansion and replacement of the system, and of inflationary pressures, the hearing examiner accepts the proposed increase in annual gross operating revenues of \$126,882.

9. The hearing examiner accepts the service area boundaries as specified on the amended map, referred to as exhibit "A" in "Applicant's Memorandum In Support of Request to Limit Service Area," filed May 5, 1978 with the Commission.

10. The hearing examiner finds the revised service area boundary filed by the City is proper. In the event questions arise with respect to mains in place but outside the approved

service area boundaries, those questions will be separately considered.

11. Applicant proposes that increased rates in this case be largely implemented in the form of a uniform cents per thousand gallon increase. Monthly minimums are increased, and the schedule of declining rates based on increased usage has been flattened. The overall percentage increase in sales revenues is 53%; on residential the increase is 39%, small commercial 55%, larger commercial 71%. City charges are increased 375% and sprinkling charges 100%.

12. The hearing examiner accepts the Applicant's proposed rate structure, absent a cost of service study, based on the conclusion that Applicant's need for increased revenues has been, and will continue to be, largely associated with the capital and operating costs associated with the average load placed on the water system.

#### CONCLUSIONS OF LAW

1. This Commission has jurisdiction over the rates and charges for, and the conditions under which, utility service is rendered in Montana.

2. All interested parties were given notice and an opportunity to participate in Docket No. 6552.

3. The rates approved herein are just and reasonable.

4. The service area boundaries approved meet the legal requirements of Polson v. Public Service Commission, 155 Mont. 464.

Based on these Findings and Conclusions, the Examiner makes the following:

ORDER

1. Applicant shall file an amended definition-of its service area boundaries pursuant to Finding of Fact #8 in this proposed order, to be included as an integral part of its schedule of rates and charges. This definition shall become effective upon Commission approval.

2. Applicant shall not curtail any existing services outside the service area as approved by the Commission.

3. Applicant shall file schedules of rates and charges effective upon Commission approval which will give the City an opportunity to generate additional gross operating revenues of \$126,882 annually.

IT IS FURTHER ORDERED, pursuant to ARM 1-1.6(2)-P6190, that this is a proposed order. Any party shall have the opportunity to file exceptions to this initial decision, present briefs and make oral arguments before the entire Commission, provided such exceptions, briefs and requests for oral argument are presented to this Commission within thirty (30) days from the service date of this proposed order.

DONE AT Helena, Montana this 27th day of July, 1978.

GEORGE TURMAN, Commissioner  
& Hearing Examiner

ATTEST:  
Madeline L. Cottrill

Secretary  
(SEAL)